

FISCAL NOTE

SB 760 - HB 1179

February 21, 2001

SUMMARY OF BILL: Amends the retirement law by increasing the maximum allowable cost-of-living increase from 3% to 5% based on the increase in the CPI. The bill is optional to political subdivisions.

ESTIMATED FISCAL IMPACT:

Increase State Expenditures - \$146,975,000 Annual Amortized Cost

Increase Local Govt. Expenditures*:

\$59,488,000 Annual Amortized Cost

\$34,050,000 Annual Amortized Cost/Permissive

Other Fiscal Impact - Increase Federal/Other Expenditures:

\$19,247,000 Annual Amortized Cost

Estimate assumes:

- Total lump sum pension liability to state government of \$2,293,470,000
- Annual amortization cost assumes a 20-year lump sum liability.
- K-12 teachers assume a 60%-40% ratio between state and local funding.
- An additional 1% increase in the cost-of-living for retired members based on the historical analysis of the CPI by the Division of Retirement's actuary indicating that the average annual COLA adjustment will be 4%.

**Article II, Section 24 of the Tennessee Constitution provides that: no law of general application shall impose increased expenditure requirements on cities or counties unless the General Assembly shall provide that the state share in the cost.*

CERTIFICATION:

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.



James A. Davenport, Executive Director

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